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ABSTRACT

Prepared for the government of Iran, the report is the result of a study concerned with the recruitment and employment of foreign workers. Due to the rapid industrialization of Iran, an anticipated shortage of qualified workers led to the government's request for an outside expert to advise on considerations and suggested procedures involved in the recruiting of qualified workers from other countries. Topics considered included recruitment in highly industrialized countries, recruitment in low wage countries, national legislation and organization, development of a model contract, illegal employment of foreign workers, welfare services, social security, and taxation. Recommendations were made for implementing procedures with the proposal that policy decisions would have to be formulated by a governmental agency, and a followup study was advised. Appended are a suggested organizational chart and suggested steps to be taken in the program of recruitment and employment of foreign workers. (RG)

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IRA/75/001

IRAN

Project Findings and Recommendations

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UNITED NATIONS DEVELOPMENT PROGRAMME
INTERNATIONAL LABOUR ORGANISATION
Geneva 1975

U S DEPARTMENT OF HEALTH, EDUCATION & WELFARE
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IRAN

Project Findings and Recommendations

Report prepared for
the Government of Iran
by
the International Labour Organisation
acting as Executing Agency for
the United Nations Development Programme

UNITED NATIONS DEVELOPMENT PROGRAMME
INTERNATIONAL LABOUR ORGANISATION
Geneva 1975

CONFIDENTIAL

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I. INTRODUCTION

1. Early in 1975 the Government of Iran requested the assistance of a high-level consultant under the United Nations Development Programme, with the ILO as Executing Agency for the project, to survey all opportunities and proposals related to the employment of foreign workers and to the creation of a unit concerned with this matter within the Ministry of Labour and Social Affairs. To carry out this assignment, the Director-General of the ILO assigned Dr. Hermann ERNST of the German Federal Ministry of Labour and Social Affairs.

2. The expert was to carry out a study and advise the Government on:

(a) the desirable terms of reference and structure of a unit to be concerned with prospecting, reception and administrative machinery required for employment of foreign workers;

(b) the drafting of instructions concerning the selection, the methods and procedures, the conditions of recruitment and the employment of foreign workers;

(c) the setting up of a system of employment offices abroad.

3. The Director-General of the ILO wishes to express his sincere appreciation of the co-operation and assistance extended by all concerned to the expert during his stay in the country (1-26 May 1975).

II. FINDINGS

General background of the labour market

4. In accordance with the Five-Year Plan which started in 1973 (1,352 Iranian Calendar), it was expected that there would be 2,100,000 new job opportunities, whereas there would only be 1,400,000 new entrances on the labour market. The shortage of 700,000 workers was to be met by:

(a) a higher degree of employment of women;

(b) the retraining of unemployed white-collar job seekers in technical professions;

(c) the creation of new training opportunities in rural areas;

(d) the return of Iranian nationals trained in foreign countries; and

(e) the recruitment of foreign qualified workers for a period of two to three years.

5. The expert was not able to judge on the figures above and on the effectiveness of the measures under (a)-(d). It was quite obvious, however, that at least for the coming years there would be a great need for foreign qualified workers because of the rapid industrialisation of Iran.

Basic aspects of the recruitment and employment of foreigners

6. There is a shortage of qualified workers in the country, and in order to meet the requirements of the Iranian economy, such workers will have to be recruited in highly industrialised countries. It is reasonable to assume that quite a significant number of workers from these countries could be attracted by Iran, especially to work in joint ventures or in foreign companies. However, regardless of the present unemployment situation in industrialised countries, it is not likely that a great number of the needed qualified workers could be recruited from these countries, since many of the unemployed workers are of a type (women, youngsters, white-collar workers) which would not meet Iran's requirements. Moreover, workers from industrialised countries are not very mobile, as the past and the present situations prove. Furthermore, foreign workers tend to consider their wages in the light of the prices which have to be paid for adequate accommodation, the prevailing social security system (including family allowances) and the school situation.

7. Since the reason for migrating generally stems from the desire for higher wages and better living conditions, it will no doubt be possible to recruit a greater number of qualified workers from low-wage countries. Certain consequences should be borne in mind when initiating this policy: nationals from those countries will no doubt wish to enjoy the benefits of better living conditions and higher wages as long as possible, maybe permanently; their families will join them and the demand for social infrastructure facilities will increase, i.e. schools, housing, hospitals, etc. Recruiting nationals from low-wage countries will finally lead, to a certain extent, to setting-up new minorities in the host country. In order to avoid this, it had been suggested to introduce the principle of rotation in countries with large numbers of foreign workers, by which a foreign worker was to leave the host country after a certain period of stay, and was replaced by another foreign worker. This principle, however, could only be implemented if the foreign worker, unwilling to leave the country voluntarily, was repatriated by force. This principle, however, was rejected by the governments concerned on social and humane grounds and for internal and external reasons. Furthermore, international standards condemn forced rotation.

National legislation

8. The legal text used for the recruitment and employment of foreigners is "Regulations concerning the Issuance of Official Work Permit to Foreigners", dated 28 November 1970.

Organisation

9. A "Centre for Placement and Employment for Expatriates" was established in February 1975 as part of the General Employment Directorate in the Ministry of Labour and Social Affairs. It is mainly responsible for the placement of foreigners and the issuance of work permits. During the last months, it has issued approximately 1,500 work permits per month and this figure is expected to increase. Fifteen important local employment offices (out of 46 in the country and 5 in Teheran) are also entitled to issue these permits. A monthly list of applicants prepared by the Centre is sent to employers in Teheran (but not to local employment offices entitled to issue work permits). Moreover, another list of "Employment Opportunities for Expatriates" is distributed each month to Iranian Embassies. So far, the Centre has performed a promising job.

10. Furthermore, a committee was established in February 1975 in Geneva and has been made responsible, among other tasks, for dealing with applicants from European countries. The main responsibility for placement, however, rests with the Centre.

11. A "Council for Co-ordination of Alien Affairs" has already been in existence since 1972 with the following membership: the Ministry of Labour and Social Affairs (Chairman), the Office of the Prime Minister, the Imperial Ministry of Foreign Affairs, the Ministry of the Interior, the Chief of Residence Permit Office. This Council has achieved useful work. Since the employment of foreigners has many aspects, it is of great importance to harmonise and co-ordinate the work of all governmental authorities concerned. The Council should be reactivated and be enlarged so as to embody other authorities which have a role to play in the matter, i.e. the Plan and Budget Organisation, the Ministry of Education, the Ministry of Housing and Town Planning (cf. Appendix 1). Such authorities should be represented by high-level officials.

Priority of Iranians on the national labour market

12. The principle of the priority of Iranians on the national labour market is stipulated in paragraph 2(b) of the Regulations already referred to. To this effect, the "Placement Office for Graduates", under the same General Directorate, has to check whether Iranians are available with similar knowledge and expertise.

Procedures

13. (a) The issuance of work permits for foreigners employed in joint ventures or in foreign companies seems to create no problems for any of the parties concerned.

(b) Recruitment by Iranian employers in foreign countries. An Iranian employer might be authorised by the Centre to recruit a certain number of qualified workers abroad. A representative of the Centre will accompany the employer concerned and will be entitled to issue work visas on the spot. The costs will be borne by the employer.

(c) Selective group recruitment of qualified workers. The two types of procedures, as described above, do not entirely meet the needs of the Iranian economy. Therefore, the Iranian Government introduced another procedure. Two protocols have been signed with the Governments of India and of the Philippines, whereby Iranian employers, accompanied by government representatives and in co-operation with the foreign government concerned, may recruit medical personnel and engineers. The foreign government is required to pre-select suitable workers, taking into consideration their health and their qualifications. Once they have been accepted by the Iranian delegation, these workers undergo a language course of two months and are given pre-information on the working and living conditions in Iran. The expenditure involved in this procedure, including the cost of the flight to Iran, is borne by the employer. During the expert's stay in Iran, a first delegation left the country to recruit an important number of nurses and physicians.

(d) Foreigners seeking employment in Iran. A great number of foreigners seek employment in Iran on their own initiative. The applications will be used by the Centre to link job applicants with vacancies.

Model contract

14. A foreigner, before entering another country for employment, should be fully aware of the working conditions of his new occupation. It is necessary therefore to give him the best information possible. During the expert's stay in Iran, a model contract was implemented which granted equal rights to foreign workers as regards working hours, overtime, annual leave, special Iranian holidays, sick leave, redundancy payment. It also stipulated that all extra expenses in connection with taking up employment in Iran (i.e. travel expenses, visa fees, etc.) were to be borne by the employer. Furthermore, because of the serious shortage of accommodation, the draft model contract contained a provision according to which the employer has to grant free accommodation or pay a lump sum if the worker so desires. The model contract is to be translated into English. It should be obligatory for employers and workers in case of group recruitment and, it is understood that it refers only to minimum standards.

Illegal employment of foreign workers

15. According to "Regulations concerning the employment of expatriates without work permits", dated 5 January 1974, illegal expatriates can be repatriated and employers be punished with at least 61 days up to one year imprisonment; in addition, a fine of between 10,000 to 50,000 rials can be imposed.

Welfare services

16. During his stay, the expert noted that steps had been taken to publish a pamphlet on the living conditions in Teheran and in all other major cities in Iran, as well as to prepare information on working conditions in Iran; necessary arrangements had been made for the reception of foreign workers in cases of group recruitments; the necessity was recognised to ensure that verbal advice is given to foreigners when they come for it to the Centre and to give all adequate information to foreign workers arriving at airports, railway stations and harbours. Finally, the organisation of language courses in Farsi for foreigners was under consideration.

Social security

17. A system of social security can be either an incentive for, or an obstacle to, migration, depending on the benefits granted as compared with those the foreigner enjoys in his home country. At present a foreign worker in Iran is insured against old age according to the "Regulations concerning the Protection of Employers against Death and Old Age" (September 1972). New regulations are under discussion in Parliament with a view to extending the insurance for foreign workers to sickness and to occupational accidents.

Taxation

18. In order to avoid double taxation of earnings, the conclusion of bilateral agreements in this respect should be envisaged. According to such agreements, wages would only be taxable in the country where they are actually earned. The possibility of exempting foreign workers from income taxes in Iran is a further incentive which should be studied by the Government.

III. RECOMMENDATIONS

19. With respect to the basic aspects of the recruitment and employment of foreign workers (para. 13), the expert recommends that :

(1) efforts for the establishment of more joint ventures be intensified; (the foreign investor's own interest is to put the right man in the right place);

(2) since the rapid industrialisation of Iran is given an over-all priority, the recruitment of foreign workers, in particular from low-wage countries, be activated;

(3) the recruitment of foreign qualified workers be concentrated on a few selected countries only, except in cases of employment in joint ventures and in foreign companies;

(4) in cases where there is a temporary need for skilled or semi-skilled workers which cannot be met on the Iranian labour market or by recruiting foreign workers, training agreements be concluded with foreign governments; according to such agreements, the foreign government would train unskilled nationals in its training centres, in order to meet the requirements of the other contracting government or employer who would bear the costs for the training courses.

20. With respect to national legislation (para. 8), it is recommended to amend the present regulations so as to ensure that foreign workers are not paid lower wages than Iranian nationals in the same company (cf. para. 12).

21. With respect to the Centre for Placement and Employment of Expatriates (paras. 9-11), the expert recommends that, in addition to recruiting the much needed additional staff, a reorganisation be carried out along the following lines:

Office No. 1: to deal with basic questions and prepare instructions to be issued to the other offices of the Centre, as well as to local employment offices and to relevant offices abroad; to implement the agreements which have been concluded with other governments.

Offices 2-4: to deal with placement and issuance of work permits according either to professions or to geographical areas -

Office 2: Asia and Africa;

Office 3: America and Australia;

Office 4: Europe.

Office 5: to deal with welfare services. (Cf. Appendix 1.)

Furthermore, the Centre should also be responsible for the organisation and holding of training courses.

22. With respect to the priority to be given to Iranian workers (para. 12), the expert recommends that, since it is doubtful that the requirements stipulated in the Regulations can be met in each case, consideration be given to ensure that foreign workers are not paid wages lower than those of Iranian workers; employers would otherwise be encouraged to first seek foreign labour and this would jeopardise the national labour market. The Regulations should therefore be amended so as to ensure equal pay for equal work, with the exception of employment in joint ventures and in foreign companies.

In addition it is recommended to establish a model contract providing equal pay for equal work to be concluded between the employer and the foreign worker.

The effective control of the availability of Iranian workers will be simplified once an unemployment insurance scheme has been introduced: it will then be sufficient to check the lists of workers drawing unemployment benefits to find out whether there are any Iranians with the required knowledge and expertise.

23. With respect to the selective group recruitment of qualified workers (para. 13), the expert feels that it is premature to make a definite judgment, but believes that such a procedure could be successful. In the case of a permanent

recruitment of qualified workers, however, he feels that three other procedures should be given consideration:

(a) for small-scale recruitment, the recruitment procedure in the foreign country could be entrusted to the foreign government itself or to a semi-governmental organisation under government supervision, or to authorised (registered) private fee-charging agencies. There are at least two examples of such agreements between European and Asian governments which have proved to be fully satisfactory;

(b) the governments may conclude a recruitment agreement which should deal with procedural questions and contain provisions concerning the setting-up of an Iranian independent permanent or temporary recruitment commission in the counterpart country; the Centre would forward approved job vacancies to this commission which would then submit them to the counterpart's employment administration in view of a pre-selection of qualified workers; the commission would be responsible for the final acceptance. Employers should be allowed to take part in the final selection, if so desired. It should be noted that under such a governmental agreement, the commission and its staff do not enjoy privileges and immunities. This could be achieved by means of another formal agreement, which, however, might be difficult to conclude;

(c) the Iranian Government may attach "recruitment offices" to its Embassies. Bilateral agreements are not needed in these cases. These recruitment offices would be responsible for seeking qualified workers interested in taking up employment in Iran; in accordance with law and practice in the host country, they may publish advertisements, and/or work jointly with the national employment administration. The recruitment offices could have their own allocations; their staff would be under the formal jurisdiction of the Ambassador concerned, but they should be allowed to report directly to the Centre.

24. With respect to foreign workers seeking employment in Iran on their own initiative (para. 14(d)), the expert believes that although such a procedure is troublesome, it should be maintained. The office presently entrusted with this task is understaffed and should be reorganised.

25. With respect to a model contract to be set up prior to the worker's entrance to Iran (para. 14), the expert believes that such a contract would serve a good purpose. However, it is suggested to amend it so as to reflect the equal pay for equal work principle. Furthermore, it should be translated not only into English, but also into other languages. The model contract should be obligatory, not only in the case of group recruitment, but also in other types of recruitment.

26. With respect to illegal employment of foreign workers (para. 15), the expert agrees that the regulations in practice should be maintained in order to avoid exploitation; in this context, definite instructions should be given concerning tourists applying for a work permit.

27. With respect to the proposed activities to be taken in the sector of welfare services (para. 16), the expert welcomes this initiative, and feels that the Centre should be encouraged to increase its efforts in this respect.

28. With respect to social security benefits (para. 17), the expert recommends the following:

(1) since insurance against old age is meaningless to workers who are liable to return to their countries, the possibility should be considered of allowing these workers to retrieve the contributions they have made to the old-age insurance system;

(2) it would be necessary to ensure that equal treatment with Iranian nationals as regards insurance against sickness, as well as occupational accidents, be ensured for the foreign worker and his family living in Iran;

(3) in order to facilitate migration, it might be advisable, at a later stage, to conclude bilateral social security agreements with countries sending their nationals to work in Iran; such agreements should provide -

- sickness benefits for family members remaining in home country;

- transfer of pensions due to occupational accidents;

- partial old-age pension for the duration of work in the host country;

- unemployment benefits after return in case of unemployment;

- family allowances for wife and children remaining in home country;

these aspects would need to be further considered at the appropriate time;

(4) in case a foreign worker or his government insist on a social security protection not granted by the existing law in Iran, it should be up to the employer to decide whether such benefits could be covered by establishing a private insurance contract.

Final remarks

29. Due to his short stay in Iran, the expert was able only to draw a general picture of the possibilities, constraints and implications of the recruitment and employment of foreign workers. Policy decisions would be required that take into account the complexity of the problem; once such decisions have been taken, it might prove necessary to recruit experts to assist the Government in the detailed formulation and the implementation of these decisions.

In this respect it might be useful to envisage within a few months after the end of the present assignment, a brief follow-up mission in order to:

(a) review the development of the Iranian programme of recruitment of foreign workers and the extent to which the recommendations made by the expert have been implemented; the immediate steps to be taken are listed in Appendix 2;

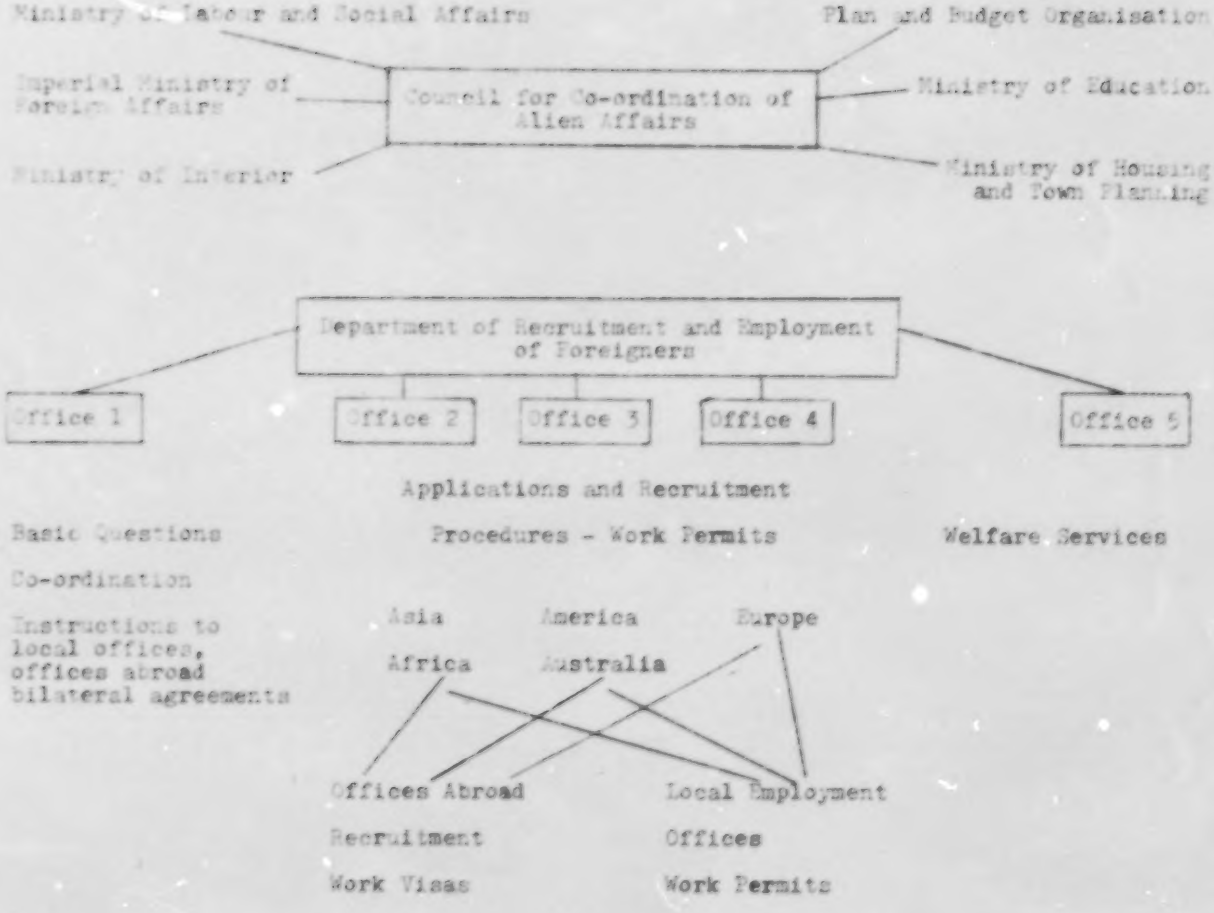
(b) identify obstacles and constraints which might have arisen and propose remedial action, if necessary; and

(c) submit proposals for further policy-oriented or specialised assistance to be provided by the ILO.

30. The expert feels that specialised expertise would be very useful in such fields as welfare services and the organisation of recruitment machinery. With this in view he suggests that funds be earmarked for consultancy services in the above-mentioned or other subjects to the equivalent of some 12-18 man-months. This should enable the Iranian Government to call upon the ILO for the provision of short-term special advice at short notice in addition to the follow-up mission indicated above.

APPENDIX 1

ORGANISATIONAL CHART



APPENDIX 2

SUGGESTED STEPS TO BE TAKEN IN THE PROGRAMME OF RECRUITMENT AND EMPLOYMENT OF FOREIGN WORKERS

1. Immediate steps, taking into consideration the shortage of staff, should comprise the following:

(a) reactivation of the Council for "Co-ordination of Alien Affairs" for policy decisions;

(b) recruitment in highly industrialised countries. Entering into negotiations with the competent authorities of a few countries which have a competent and effective employment service in order to make arrangements according to which these authorities or private agencies may submit applications of qualified workers on the basis of a list of vacancies in Iran;

(c) recruitment in low-wage countries -

- implementation of arrangements, already concluded, or under consideration, for a permanent recruitment of qualified workers by the competent authorities of these countries;

- arrangement of charter flights, reception of workers in Iran;

(d) amendment to the "Regulations concerning the Issuance to Foreigners of an Official Work Permit" as regards equal pay for equal work;

(e) completion of the model contract;

(f) completion of pamphlets on living and working conditions in Iran;

(g) research on social security;

(h) research on taxation;

(i) recruitment of additional staff and training in Iran and abroad.

2. Steps to be taken later, if necessary:

Setting-up in selected countries, either of "recruitment offices" attached to embassies or, according to bilateral agreements still to be concluded, of independent recruitment offices.